

Message Text

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SUBJECT: MOTOR VEHICLE DOMESTIC CONTENT REQUIREMENTS

1. THERE IS LARGE DOMESTIC AUTOMOBILE ASSEMBLY INDUSTRY IN TURKEY. THIS INDUSTRY HAS BEEN ESTABLISHED CONSISTENT WITH TURKISH POLICIES OF ECONOMIC DEVELOPMENT. THE DOMESTIC ASSEMBLY INDUSTRY WAS ENCOURAGED BOTH TO SAVE FOREIGN EXCHANGE IN VIEW OF TURKEY'S CRITICAL SHORTAGES OF FOREIGN EXCHANGE FOR MANY YEARS IN THE PAST AND TO PROVIDE MORE JOBS IN A COUNTRY WHERE THE UNEMPLOYMENT RATE IS CURRENTLY 12 PERCENT OF ITS LABOR FORCE. BECAUSE OF THESE OBJECTIVES, COMPLETED AUTOMOBILES MAY NOT BE IMPORTED EXCEPT FOR SPECIAL PURPOSES. THERE IS NO REQUIREMENT THAT AUTOMOBILES WHICH MAY BE IMPORTED QINCLUDE AHPERCENTAGE OF TURKISH DOMESTIC CONTENT.

2. THE GOT DOES REQUIRE ALL AUTOMOBILE ASSEMBLY FIRMS TO USE HIGH PERCENTAGE OF DOMESTIC PARTS. THIS DOMESTIC CONTENT REQUIREMENT APPLIES OOTH TO FIRMS WHOLLY OWNED BY TURKISH NATIONALS AND TO JOINT VENTURE FOREIGN INVESTMENT ASSEMBLY FIRMS. NEVERTHELESS, THERE STILL REMAINS A FAIRLY LARGE PERCENTAGE OF FOREIGN PARTS THAT MAY BE IMPORTED. THE REQUIREMENT OF A DOMESTIC CONTENT IN AUTOMOBILES ASSEMBLED IN TURKEY IS ALSO ATTRIBUTED TO TURKISH GOVERNMENT POLICIES AIMED AT SAVING FOREIGN EXCHANGE AND HELPING STIMULATE DEVELOPMENT OF

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DOMESTIC INDUSTRY.

3. THE AMOUNT OF DOMESTIC CONTENT REQUIRED OF ASSEMBLERS IS STIPULATED IN ASSEMBLY INDUSTRY REGULATIONS (DECREE 6/2905 DATED APRIL 14, 1964) AND IS BASED ON COMPLICATED FORMULA EXPRESSED IN TERMS OF FOREIGN EXCHANGE SAVINGS RELATED TO THE COST OF THE FINISHED PRODUCT. (COST OF LABOR IN TURKEY AS WELL AS OF PARTS IS INCLUDED IN THIS CALCULATION.) THE MINIMUM DOMESTIC CONTENT PERCENTAGE REQUIREMENT IS REVISED EACH YEAR BY THE MINISTRY OF INDUSTRY AND TECHNOLOGY. AT PRESENT, AUTOMOBILE ASSEMBLERS MUST USE AT LEAST 67 PERCENT DOMESTIC CONTENT IN VALUE OF THE FINISHED PRODUCT. SOME ASSEMBLERS MAY EXCEED THIS VOLUNTARILY; OTHERS WHEN INITIATING PRODUCTION MAY CONCEIVABLY RECEIVE PERMISSION, AS AN EXCEPTION, FOR SLIGHTLY SMALLER PERCENTAGE. ASSEMBLY ACTIVITIES WHICH INVOLVE FOREIGN INVESTMENT MAY HAVE LOCAL CONTENT REQUIREMENT SPELLED OUT IN SPECIAL GOT DECREE APPROVING JOINT VENTURE. (SUCH DECREE IS NECESSARY BEFORE ANY FOREIGN INVESTMENT CAN BE MADE IN TURKEY). FOR EXAMPLE, IN CASE OF OYAK-RENAULT COMPANY (TURKISH-FRENCH JOINT VENTURE), EMBASSY HAS BEEN TOLD THAT RELEVANT DECREE REQUIRES THAT LOCAL CONTENT BE 67 PERCENT AND AFTER THREE YEARS REACH 85 PERCENT. THIS LATTER FIGURE HAS NOT BEEN REACHED AND MAY BE SOME YEARS BEFORE IT IS. THE TWO OTHER AUTOMOBILE ASSEMBLERS, OTOSAR OTOMOBIL (JOINT VENTURE WITH FORD) AND TOFAS TURK OTOMOBIL (JOINT VENTUURE WITH FIAT), HAVE ALREADY EXCEEDED THE MINIMUM DOMESTIC CONTENT REQUIREMENT OF 67 PERCENT.

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